

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 27, 2020

Volume 13 Issue 231

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- Coming from an intermediate-term high, an unfilled gap down after an unfilled gap up appears to be somewhat bearish.
- Bullish seasonality remains on Friday, and then turns bearish for a day on Monday.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. Evidence is now mixed. I am looking to exit my small long position.

**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
November 27, 2020	SPY unfilled gap up to 20-hi thn unfl dn	1-2 days	Bearish			
November 25, 2020	Thanksgiving Wed-Fri strong	1-2 days	Bullish			
November 23, 2020	2 of 3 close btm 10% daily. Close < 10ma	1-8 days	Bullish	2.90%	-1.30%	-2.80%
<b>Active - Long Term</b>						
November 23, 2020	NASDAQ Leading	int term	Bullish			
November 16, 2020	SPX 50-day %b crosses over 100	1-50 days	Bullish	4.90%	-4.40%	-8.90%
November 2, 2020	Best 6 Months	1-6 months	Bullish			
September 28, 2020	4 weeks down > 40-week ma	1-10 weeks	Bullish	8.60%	-3.10%	-7.40%
July 9, 2020	Golden Cross	int term	Bullish			
March 23, 2020	QE4	int term	Bullish			

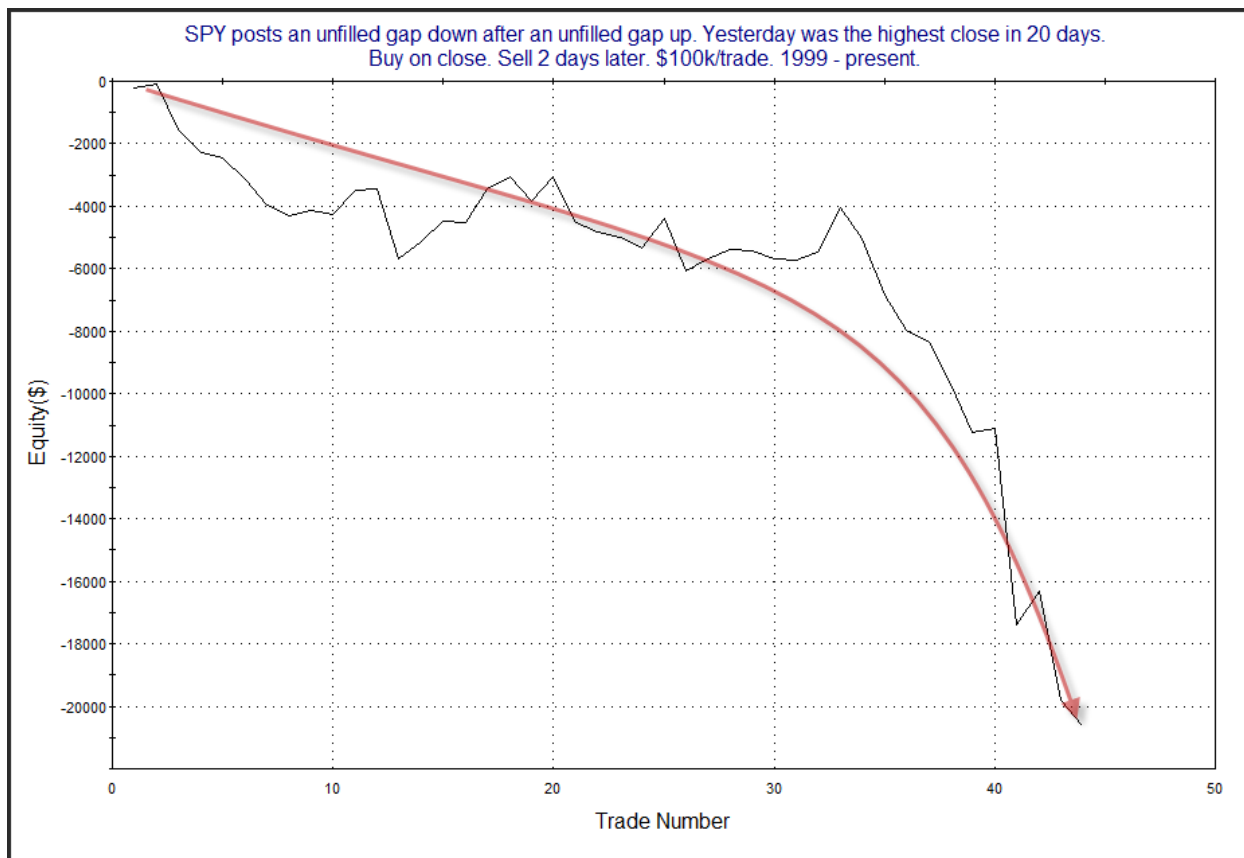
**The Evidence**

The market was mixed on Wednesday. The SPX lost 0.2%, the NASDAQ gained 0.5%, and the Russell 2000 declined 0.5%. Breadth was mixed with the NYSE Up Issues % coming in at 43% and the Up Volume % at 48%. NYSE total volume declined from Tuesday's level, which is typical on the Wednesday before Thanksgiving

The Quantifinder showed one compelling study that suggested the action the last couple of days could lead to more selling. This study considers SPY performance after posting an unfilled gap down from a high level immediately after an unfilled gap up. It was last shown recently in the 11/18/20 Subscriber Letter. Below are updated results.

SPY posts an unfilled gap down after an unfilled gap up. Yesterday was the highest close in 20 days. Buy on close. Sell X days later. \$100k/trade. 1999 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-26,311.01	43	21	22	48.84	1,827.28	-7,283.25	784.83	-1,945.11	0.40	0.39	-611.88
4	-22,532.43	43	18	25	41.86	1,998.36	-4,273.14	848.14	-1,511.96	0.56	0.40	-524.01
3	-20,779.03	43	18	25	41.86	1,312.42	-5,156.38	629.78	-1,284.60	0.49	0.35	-483.23
2	-20,604.48	44	16	28	36.36	1,383.20	-6,275.98	567.15	-1,059.96	0.54	0.31	-468.28
1	-9,686.59	44	17	27	38.64	1,008.68	-1,807.92	426.09	-627.04	0.68	0.43	-220.15

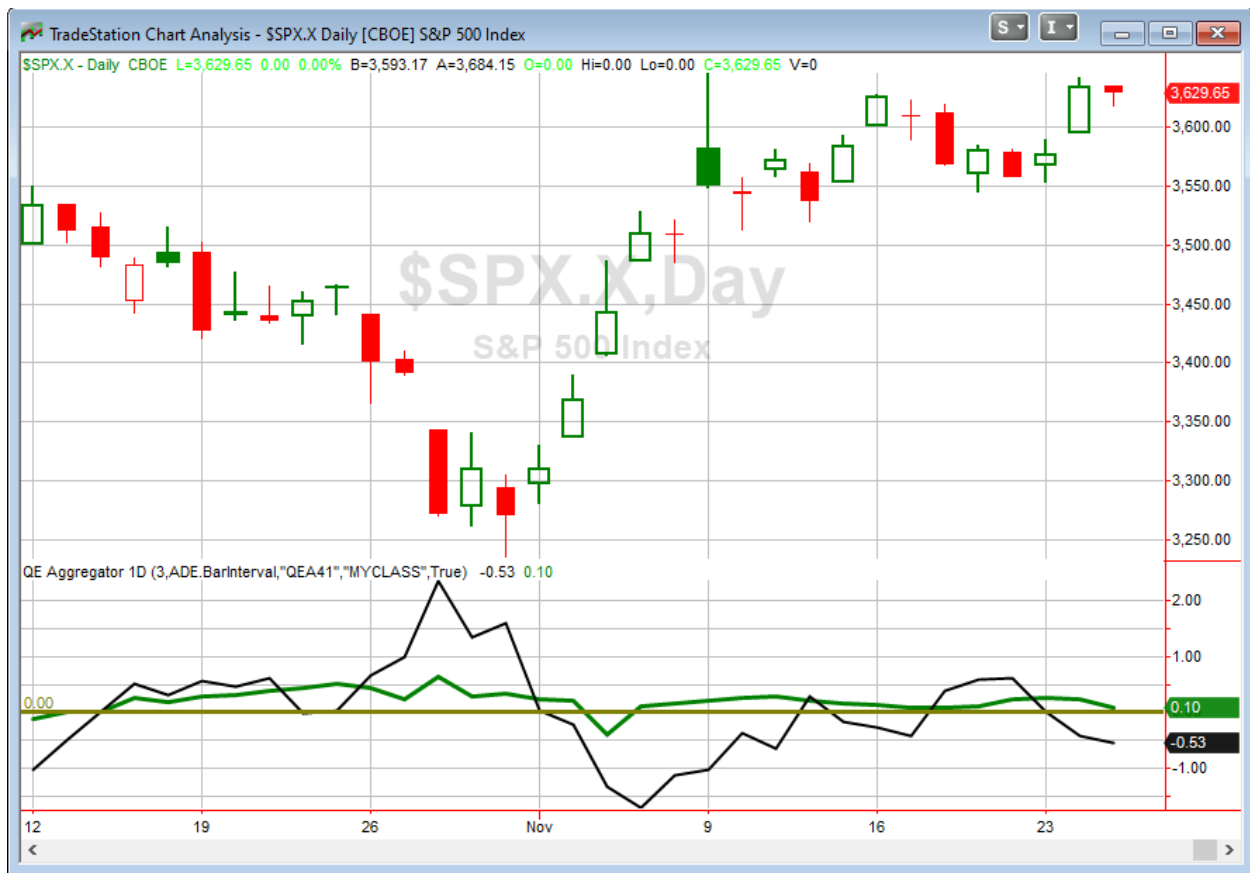
The numbers here appear to suggest a downside edge. Let's also take a look at a profit curve.



While the curve is choppy, it has persisted downwards. We have tracked this study for a while, and the edge has seen an acceleration to the downside in recent instances. This all suggests we could see further selling over the next few days. I added this to the Active List tonight.

From the last few days, we also know that Friday has a bullish seasonal tendency, but Monday after Thanksgiving is bearish.

I have updated [the Aggregator chart](#) below.



Even with tonight's bearish evidence considered, the green Aggregator Line remained a little above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line held below 0. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator signal stayed flat at the close.

Based on the current list of studies, expectations are set to remain bullish on Friday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be 3598.71 on Friday. That is a 0.85% below Wednesday's close. So SPX would need to close down at least 0.85% on Friday in order to flip from overbought to oversold vs recent expectations.

The Aggregator is neutral for the 2<sup>nd</sup> day in a row. Evidence is mixed, and the market is overbought. I still have a small long SPY position. I will be looking to exit that on Friday and then waiting for the next favorable setup to emerge.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 11/23 – slightly bullish**

The intermediate-term outlook was last updated in the 11/23/20 Letter. It can be found in the most recent weekly letter on the website.

<http://quantifiableedges.com/current-weekly-letter/>

**Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

**OpenCatapult Triggers**

None

**Broad Market Large Cap CBI – 0**

**Additional New Trade Ideas**

A full listing of system triggers can be found at the [numbered systems page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.

None tonight.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
SPY(1/4)	11/23/2020	\$355.00	\$362.66	2.16%	<i>see note below</i>

*Friday is seasonally strong, and evidence is still leaning bullish. I'll continue to look to sell at \$363.25 LIMIT. If not filled in 1<sup>st</sup> ½ hour of trading, I'll place a stop \$0.10 below the low of the 1<sup>st</sup> half hour. If still not filled by end of day, I will exit at the close (early close of 1pm EST).*

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